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INTRODUCTION

The Office of Internal Audit performed an audit of the Wayne County FIA Magnolia/West Grand Boulevard District for the period October 1, 1999 through May 31, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of Michigan Family Independence Agency (FIA) are being followed. The Magnolia/West Grand Boulevard District had 67 full time equated positions (FTE's) at the time of our review. The Magnolia/West Grand Boulevard District provided assistance to average 8,251 recipients per month during FY 1999, with total assistance payments of \$13,301,023 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Magnolia/West Grand Boulevard District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts	Cash Disbursements
Client Processing	Safe & Controlled Documents
CIS Input	ENP/SER Program
IRS Information Security	Medical Transportation
Employment Support Services	Phone Usage
Procurement Card	Payroll Review
Child Well Being	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Magnolia/West Grand Boulevard District internal controls are generally adequate to provide management with reasonable assurance that assets

are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with FIA policies and procedures, which are detailed below.

DISTRICT RESPONSE

The management of the Magnolia/West Grand Boulevard District has reviewed all findings and recommendations included in this report. They indicated in an e-mail response on December 28, 2000 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Open Items on FIA-61

1. The Magnolia/West Grand Boulevard District did not always record disposition information on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. We found several open items on the FIA-61, where the checks/warrants were not on hand and the local office had not recorded the disposition. Recording the disposition on FIA-61 provides documentation that returned checks/warrants were properly disposed of.

WE RECOMMEND that the Magnolia/West Grand Boulevard District record the disposition of all check/warrants on the FIA-61.

Cash Disbursements

Sign-O-Meter Reconciliation

2. The Magnolia/West Grand Boulevard District did not document the reconciliation of the Sign-O-Meter Record (FIA) with the Check Register, as required by Accounting Manual Item 410.1. Documentation that this reconciliation was performed is necessary to ensure that no checks go through the check signer that are not accounted for in the accounting records.

WE RECOMMEND that the Magnolia/West Grand Boulevard District retain the documentation of the reconciliation of the Sign-O-Meter Record with the Check Register.

Stamping Documents “PAID”

3. The Magnolia/West Grand Boulevard District did not stamp supporting documents “PAID” when payment was made. The Accounting Manual Items related to each payment type require that supporting documents be stamped “PAID.” Stamping supporting documents “PAID” helps prevent duplicate payments.

WE RECOMMEND that the Magnolia/West Grand Boulevard District stamp supporting documents “PAID” when payment is made.

Client Processing

No findings in this area.

Controlled Documents

Control of Bus Tickets and Transfers

4. The Magnolia/West Grand Boulevard District did not properly control bus tickets and transfers. We noted that the District did not prepare the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) for bus tickets and transfers, as required by Accounting Manual Item 403. Preparation of the Monthly Controlled Document Inventory and Reconciliation helps to ensure that loss, theft, or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that the Magnolia/West Grand Boulevard District prepare the Monthly Controlled Document Inventory and Reconciliation for bus tickets and transfers.

CIS Input/Output Controls

MA-010 Reconciliation – Flagged Transactions

5. The Magnolia/West Grand Boulevard District did not reconcile flagged transactions on the Transaction Control Listing (MA-010) to the input documents, as required by the Local Office Reports Description Manual. Reconciliation of the flagged accounts helps to ensure that transactions were properly authorized and correctly entered on the Client Information System (CIS).

WE RECOMMEND that the Magnolia/West Grand Boulevard District reconcile the flagged transactions on the MA-010 to the input documents.

CIS Security Agreements

6. The Magnolia/West Grand Boulevard District did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for all employees who access the Client Information System (CIS), as required by L-Letter 97-063. Two employee agreements were not on hand at the time of our review.

WE RECOMMEND that the Magnolia/West Grand Boulevard District have all employees who access the CIS system complete a CIS Security Agreement and ensure that the status codes on the Security Agreement are consistent with the status code on the PF-011 report.

ENP/SER Program

No findings in this area.

IRS Information Security

Designated Staff Person

7. The Magnolia/West Grand Boulevard District did not have a Designated Staff Person (DSP) for handling confidential information received from the Internal Revenue Service (IRS), as required by Program Administrative Manual (PAM) Item 800. A DSP is necessary to ensure that information received from the IRS is kept confidential. Breach of confidentiality could result in the department being denied access to IRS information.

WE RECOMMEND that the Magnolia/West Grand Boulevard District appoint a Designated Staff Person to handle confidential information received from the IRS.

Medical Transportation

No findings in this area.

Employment Support Services

No findings in this area.

Telephone Usage

No findings in this area.

Procurement Card

No findings in this area.

Payroll Review

No findings in this area.

Child Well Being

No findings in this area.